



STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BAC 1624 – MANAGEMENT ACCOUNTING 1

(All Section / Groups)

24 FEBRUARY 2017

9.00 a.m – 12.00 p.m

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 9 pages (excluding cover page) with 5 Questions only.
2. Answer **ALL** Questions. Each question carries 20 marks.
3. Please write your answers and workings in the Answer Booklet provided.

QUESTION 1

Dulux Home Paint Company produces exterior latex paint, which it sells in one-gallon containers. The company has two processing departments-Base Fab and Finishing. White paint, which is used as a base for all the company's paints, is mixed from raw ingredients in the Base Fab Department. Pigments are then added to the basic white paint, the pigmented paint is squirted pressure into one-gallon containers, and the containers are labeled and packed for shipping in the Finishing Department. Information relating to the company's operation during April are as follows: -

- a. Issued raw materials for use in production: Base Fab Department, RM851,000; and Finishing Department, RM629,000.
- b. Incurred direct labor costs: Base Fab Department, RM330,000; and Finishing Department, RM405,000.
- c. Applied manufacturing overhead cost: Base Fab Department, RM665,000; and Finishing Department, RM405,000.
- d. Transferred basic white paint from the Base Fab Department to the Finishing Department, RM1,850,000.
- e. Transferred paint that had been prepared for shipping from the Finishing Department to Finished Goods, RM3,200,000.

The following is the additional information available regarding production in Base Fab Department during April. The company uses FIFO in its process costing method.

Production data:

Units (gallons) in process, April 1 (100% material; labor & overhead 60% complete)	30,000
Units (gallons) started into production during April	420,000
Units (gallons) in process, April 30 (50% material, labor & overhead 25% complete)	80,000

Cost data:

Work in process inventory, April 1:	RM
Materials	92,000
Labor	21,000
Overhead	37,000

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Required:

- i. Prepare journal entry to record items (d) and (e) only.
(3 marks)
- ii. Determine the cost per equivalent units for materials and conversion cost and the total unit manufacturing cost.
(Please round-up your answers to two decimal places)
(7 marks)
- iii. Determine the cost of ending work in process inventory.
(5 marks)
- iv. Determine the cost of units transferred out of Base Fab Department in April.
(5 marks)

(Total: 20 marks)**Continued...**

QUESTION 2

Legend of the Blue Sea Manufacturing Company (LBSM) has four categories of overhead. The four categories and expected overhead costs for each category for next year are listed below:

Maintenance	RM200,000
Materials handling.....	32,000
Setups	100,000
Inspection	120,000

Currently, overhead is applied using a predetermined overhead rate based upon budgeted direct labor hours. For next year, 50,000 direct labor hours are budgeted. The company has been asked to submit a bid for a proposed job and usually bids are based upon full manufacturing. The plant manager thinks getting this job would result in new business in future years.

Estimates for the proposed Job (Job No. P902) are as follows:

Direct materials	RM 6,000
Direct labor (1,000 hours)	RM10,000
Machine hours	500
Number of material moves.....	12
Number of setups	2
Number of quality inspections	10

In the past, full manufacturing cost has been calculated by allocating overhead using a volume-based cost driver (direct labor hours). The plant manager has heard of a new way of applying overhead that uses cost pools and cost drivers.

Expected activity for the four activity-based cost drivers that would be used are:

Machine hours	20,000
Material moves	1,600
Setups	2,500
Quality inspections.....	4,000

Required

- i. Compute the cost of the proposed job using traditional costing.
(3 marks)
- ii. Compute the company's bidding price based on traditional costing method plus 20 percent mark-up.

(2 marks)

Continued...

- iii. Compute the cost of the proposed job using activity based costing. Also, compute the company's bidding price based on activity based costing method plus 20 percent mark-up.
- (12 marks)
- iv. Compare the cost of the job using traditional costing and activity based costing and comment on your answers.

(3 marks)

(Total: 20 marks)

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QUESTION 3

Goblin Lawn Chair Company produces and sells a single high-priced lawn chair and in year 2016 the company produces and sold 30,000 units. Below is the financial information pertaining to the company for the year ended 31st December 2016: -

	RM
Sales	1,800,000
Variable costs	1,350,000
Fixed costs	240,000
Income before taxes	210,000
Tax Expense	63,000

Required

- i. Compute the breakeven point in units and in Ringgit Malaysia.
(4 marks)
- ii. Compute the company's margin of safety.
(2 marks)
- iii. Compute the company's degree of operating leverage at the current level of operations. If the company's sales in units were to increase 30%, compute how much is the profit before taxes increase in percentage?
(4 marks)
- iv. Assume the company is expecting to experience a shortage of its main raw material. This situation is expected to result in an increase in the company's manufacturing costs of RM3 per unit. Under this circumstances, and assuming that the company does not believe that it can increase its selling price, compute the company's new breakeven point in Ringgit Malaysia and new margin of safety.
(5 marks)

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- v. Management has decided to raise the price of its product to RM65 per unit. It also will spend additional RM102,000 per year for advertising. Although it has never paid commissions before, the company has decided to begin paying sales personnel RM1 per unit for every unit sold. Compute the new breakeven point in units and new margin of safety of the company under this plan, if sales only reach 27,000 units.

(Note: In computing your solutions, ignore part (iv) above and solve this question using the original data).

(5 marks)

(Total: 20 marks)

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QUESTION 4**PART A**

My Fair Lady Sdn. Bhd. manufactures and distributes dolls to various Asian countries. One of its main product is princess doll which is popular amongst children. Each of this product is coated with a special solvent to make it safe for children to play with. Three (3) cubic centimetres (cc) of solvent E 400 is required to manufacture each unit of princess doll.

To keep production and sales moving smoothly, the company has the following inventory requirements:

1. The finished goods inventory on hand at the end of each month must equal to 6,000 units of princess dolls plus 20% of next month's sales. The finished goods inventory on June 30, 2016 is budgeted to be 20,000 units.
2. The raw materials inventory on hand at the end of each month must be equal to one-half of the following months production needs for raw materials. The raw materials inventory on June 30, 2016 is budgeted to be 108,000 cc of solvent E 400.
3. The company does not maintain any work-in process inventory.
4. A sales budget for My Fair Lady Sdn. Bhd. for the last six months of 2016 is as follows:

	Budgeted sales (units)
July	70,000
August	80,000
September	100,000
October	60,000
November	40,000
December	20,000

Required

- i. Prepare a production budget for My Fair Lady Sdn.Bhd. for the month of July, August & September 2016.
(6 marks)
- ii. Prepare a direct material budget showing the quantity of E 400 to be purchased for the month of July, August & September 2016.
(6 marks)

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PART B

The Bergen Asian Division Company reported the following results for 2016:

Sales	RM8,000,000
Variable costs	6,400,000
Controllable fixed costs	600,000
Average operating assets	5,000,000

The management is considering the following independent alternative courses of action in 2017 in order to maximize the return on investment for the division.

- Reduce controllable fixed costs by 10% with no change in sales or variable costs.
- Reduce average operating assets by 10% with no change in controllable margin.
- Increase sales RM500,000 with no change in the contribution margin percentage.

Required

- Compute the return on investment for 2016 before taking any course of action.

(1 mark)

- Compute the expected return on investment for each of the alternative courses of action above, a – c. Explain which alternative is the best course of action to be chosen.

(7 marks)

(Total:20 marks)

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QUESTION 5

- a) Big Bold Beautiful Sdn.Bhd (BBBSB) manufactures one product called Premium. The company uses a standard cost system and sells each Premium for RM8. At the start of monthly production, BBBSB estimated 9,500 Premiums would be produced in March. BBBSB has established the following material and labor standards to produce one Premium:

	<u>Standard Quantity</u>	<u>Standard Price</u>
Direct materials	2.5 pounds	RM3 per pound
Direct labor	0.6 hours	RM10 per hour

During March 2016, the following activity was recorded by the company relating to the production of premium:

1. The company produced 9,000 units during the month.
2. A total of 24,000 pounds of materials were purchased at a cost of RM66,000.
3. A total of 24,000 pounds of materials were used in production.
4. 5,000 hours of labor were incurred during the month at a total wage cost of RM55,000.

Required:

- i. Compute material price variance (3 marks)
 - ii. Compute material quantity variance (3 marks)
 - iii. Compute labor price variance (3 marks)
 - iv. Compute labor quantity variance (3 marks)
- b) Described the balanced scorecard approach to performance evaluation (8 marks)

(Total: 20 marks)

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